

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 59th LEGISLATURE - REGULAR SESSION

COMMITTEE ON FEDERAL RELATIONS, ENERGY, AND TELECOMMUNICATIONS

Call to Order: By **CHAIRMAN ALAN OLSON**, on March 2, 2005 at 3:30 P.M., in Room 455 Capitol.

ROLL CALL

Members Present:

Rep. Alan Olson, Chairman (R)
Rep. Dave Gallik, Vice Chairman (D)
Rep. Dennis Himmelberger, Vice Chairman (R)
Rep. Robyn Driscoll (D)
Rep. George G. Groesbeck (D)
Rep. Robin Hamilton (D)
Rep. Hal Jacobson (D)
Rep. Harry Klock (R)
Rep. Mark E. Noennig (R)
Rep. Diane Rice (R)
Rep. Wayne Stahl (R)
Rep. Karl Waitschies (R)
Rep. Brady Wiseman (D)

Members Excused: Rep. John Parker (D)

Members Absent: None.

Staff Present: Todd Everts, Legislative Branch
Cynthia Peterson, Committee Secretary

Please Note. These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing & Date Posted: SB 83, 2/22/2005; SB 50, 2/22/2005;
SB 169, 2/23/2005; SB 23, 2/21/2005
Executive Action: SB 50; SB 23; SB 83

HEARING ON SB 83

Opening Statement by Sponsor:

SEN. GLENN ROUSH (D), SD 8, opened the hearing on **SB 83**, a bill to clarify renewable energy projects eligible for renewable resource grants/loans. **SEN. ROUSCH** explained SB 83 was requested by the Environmental Quality Council (EQC). The EQC studied alternative energy during the 2003-04 interim. As a result of that study, the EQC requested three pieces of legislation, including SB 83. The EQC discovered during the interim that even though the purpose of the renewable resource grant loan program is to enhance Montana's renewable resources through projects that will develop, conserve, develop, manage, or preserve the resources, it was not clear statutorily whether alternative energy projects were eligible for renewable resource grants and loans.

Proponents' Testimony:

John Tubbs, Bureau Chief, Resource Development Bureau, Department of Natural Resources and Conservation (DNRC), believed current statutes suggest renewable energy projects would qualify, but SB 83 assures qualification and directs DNRC to market renewable energy project eligibility. **Mr. Tubbs** provided background on the grant and loan program.

Tom Livers, Department of Environmental Quality, testified he supports the clarification because it provides another tool to help finance renewable energy projects.

Leslie McClain, Montana Environmental Information Center (MEIC), testified as a proponent of SB 83. Ms. McClain submitted written testimony from Chuck McGraw, Natural Resources Defense Council, and the Renewable Northwest Project.

EXHIBIT (feh46a01)

Opponents' Testimony: None.

Informational Testimony: None.

Questions from Committee Members and Responses: None.

Closing by Sponsor:

SEN. ROUSCH closed the hearing on SB 83 and identified **REP. WAITCHIES** as the Representative who would carry the bill on the House floor.

EXECUTIVE ACTION ON SB 83

Motion/Vote: REP. HIMMELBERGER moved that SB 83 BE CONCURRED IN. Motion carried unanimously by voice vote with REP. GALLIK, REP. PARKER and REP. JACOBSON voting aye by proxy.

HEARING ON SB 50

Opening Statement by Sponsor:

SEN. DAN MCGEE (R), SD 29, opened the hearing on **SB 50**, which would revise alternative energy system loan laws. **SEN. MCGEE** explained SB 50 came from the EQC. Under current law, there is an alternative energy loan account. This account currently contains approximately \$750,000. The money in the account comes from penalties on air-quality permit violations. Current law states an individual could borrow up to \$10,000 from the loan account for conservation and alternative energy projects. SB 50 would expand the ability to borrow from this account to units of local government, the university system, and non-profit organizations. The loan amount will also be raised from \$10,000 to \$40,000 and will change the time limit for repayment from five years to ten years.

Proponents' Testimony:

Art Compton, Department of Environmental Quality, supports SB 50 because it expands the scope of the alternative energy loan program without increasing the cost. **Mr. Compton** noted expanding the scope will significantly increase the number of qualifying projects. **Mr. Compton** identified non-profits as a large part of the renewable energy market.

Leslie McClain, Montana Environmental Information Center, supported SB 50 because it is a straightforward bill that encourages renewable energy by opening a loan to more entities. **Ms. McClain** suggested allowing local governments, universities, and non-profits the ability to take advantage of the loan, will provide opportunities for educating the public on renewable technologies.

Opponents' Testimony: None.

Informational Testimony: None.

Questions from Committee Members and Responses:

REP. ROBIN HAMILTON, HD 92, MISSOULA, wondered why the word "residences" was struck on Line 27. **Mr. Compton** explained Lines 25-26 still address individuals and small businesses, and striking "residences" was simply a housekeeping measure. An individual's use of the program at a residence is not only acceptable, but anticipated.

REP. WAYNE STAHL, HD 35, SACO, noted Line 19, Page 2, says the administrative costs may not exceed ten percent of the total loans or \$23,000 per year. **REP. STAHL** thought \$2,300 each for ten loans was a high administrative cost. **Mr. Compton** stated it is a maximum of \$23,000 annually or ten percent of the total loan. **Mr. Compton** believed the administrative work was given to a third-party contractor. **Mr. Compton** explained the amount was raised from four percent to ten percent in anticipation of increased applications and to ensure the contractor had enough resources to run the program.

Closing by Sponsor:

SEN. McGEE closed the hearing by stating SB 50 is an attempt to allow different entities to participate in the loan process, so Montana can move forward with alternative energy.

{Tape: 1; Side: A; Approx. Time Counter: 14.8 - 25.2; Comments: Hearing on SB 50.}

EXECUTIVE ACTION ON SB 50

Motion/Vote: **REP. HIMMELBERGER** moved that SB 50 BE CONCURRED IN. Motion carried 13-1 by voice vote with **REP. STAHL** voting no, and **REP. PARKER** voting aye by proxy.

SEN. McGEE informed the Committee that **REP. GUTSCHE** would carry SB 50 on the House floor.

HEARING ON SB 23

Opening Statement by Sponsor:

SEN. KIM GILLAN (D), SD 24, opened the hearing on **SB 23**, Summary of Information Technology (IT) impact for all branches of government. **SEN. GILLAN** explained that SB 23 is being presented at the request of the Legislative Council. SB 23 will expand the type of major information technology budgets to be included

in a statewide information technology budget summary. **SEN. GILLAN** explained that SB 23 will provide an assessment and quantify the costs associated with any type of major technology action and identify how that will impact other state agencies. The Legislative Branch Computer System Planning Council, a statutorily created planning council, develops and maintains the Legislative Branch's computer system. This council has expressed concerns regarding changes made to the statewide information system. **SEN. GILLAN** spoke to the ripple effect when changes are made to one part of the State's system. **SEN. GILLAN** specifically mentioned how when Statewide Accounting Budgeting and Human Resources System (SABHRS) was upgraded, the Legislative Branch was forced to rewrite portions of its programs, which was expensive and time consuming. SB 23 will require the Governor's Budget Office to identify how IT applications will affect other State agencies and estimate the cost of these impacts to other agencies.

{Tape: 1; Side: B}

Proponents' Testimony: None.

Opponents' Testimony: None.

Informational Testimony:

Amy Sassano, Governor's Budget and Program Planning Office, offered to answer any questions the Committee had regarding SB 23.

Questions from Committee Members and Responses:

REP. BRADY WISEMAN, HD 65, BOZEMAN, was curious about the ripple effects caused by changes to other State systems and asked Lois Menzies, Legislative Services Division, if she was aware of any similar problems. **Ms. Menzies** explained the best example is what happened with the SABHRS. **Ms. Menzies** explained how modifications to the SABHRS have had subsequent consequences on other agencies that have subsystems or shell systems. **Ms. Menzies** suggested systems in the Department of Health and Human Services (DPHHS) could have an impact on systems in the Department of Corrections or the Department of Justice.

REP. WISEMAN asked if the Legislative Branch was being omitted from the planning and implementation process. **Ms. Menzies** replied it would be an overstatement to suggest that the Legislative Branch is out of the loop, but on occasion, when upgrades are anticipated by the Executive Branch, impacts are not

always quantified for other agencies. Therefore, occasionally, they are surprised by the amount of resources they have to allocate in order to adjust their system.

REP. JACOBSON wondered what would constitute "major" in terms of dollar amounts. **Ms. Menzies** identified a major project as one that would exceed \$300,000.

Closing by Sponsor:

SEN. GILLAN closed the hearing on SB 23, and urged the Committee to pass the bill. **SEN. GILLAN** requested **REP. WISEMAN** to carry the bill on the floor of the House.

EXECUTIVE ACTION ON SB 23

Motion/Vote: **REP. HIMMELBERGER** moved that SB 23 BE CONCURRED IN. Motion carried unanimously with **REP. PARKER** voting aye by proxy.

HEARING ON SB 169

Opening Statement by Sponsor:

SEN. STEVEN GALLUS (D), SD 37, opened the hearing on SB 169, a bill which would increase penalties for natural gas pipeline safety violations.

Proponents' Testimony:

Greg Jergeson, Commissioner, Montana Public Service Commission (PSC), stated SB 169 is being introduced at the request of the PSC. **Commissioner Jergeson** pointed out that the PSC did not receive the mandate from the Federal Government requiring the state penalty provision to be in compliance with Federal law until well after the deadline had passed for agencies to request bills. **Commissioner Jergeson** related that Montana participates in a natural gas pipeline safety program and if certain standards are met, the Federal Government helps fund a portion of the program. If Montana does not come into compliance with certain provisions of the Federal law, Montana risks losing Federal funds. **Commissioner Jergeson** explained how those costs would then shift to Montana ratepayers. **Commissioner Jergeson** believed it would be in the best interest of the public and the pipeline operator for the pipelines to be operated safely and that their operation not be interrupted.

Commissioner Jergeson submitted a written summary of his testimony, as well as a map of the Northwestern Energy (NWE) system.

[EXHIBIT\(feh46a02\)](#)

[EXHIBIT\(feh46a03\)](#)

Commissioner Jergeson testified Montana currently receives approximately \$13,000 per year from the Federal Government for support of pipeline safety.

Opponents' Testimony: None.

Informational Testimony: None.

Questions from Committee Members and Responses:

REP. NOENNIG wanted to know whether the Federal amount was increased, or whether it had ever been increased. **Commissioner Jergeson** guessed since 1968 the amount may have periodically been increased, but in the last year the fine was increased to a maximum of \$1 million.

REP. GEORGE GROESBECK, HD 74, BUTTE, wondered about the rationale behind raising \$25,000 to \$100,000 to meet the Federal guidelines, and wondered why the minimum fine was not increased. **Commissioner Jergeson** stated violations have been few and those few had been worked out. **Commissioner Jergeson** stated the intent is to continue with that record.

REP. DAVE GALLIK, HD 79, HELENA, referred to the fiscal note and the loss of points on the annual certification for failure to comply. **REP. GALLIK** wondered if Montana currently receives all the possible points. **Commissioner Jergeson** referred the question to **Joel Tierney, Montana Public Service Commission,** who explained the evaluation is performance based, and that Montana is currently short-staffed which results in a loss of points. In the past, Montana has received the full 100-percent funding.

REP. GALLIK wondered how much Federal funding is lost. **Mr. Tierney** estimated that in the last certification, Montana applied for approximately \$43,000, one-half of which was Federal, and received approximately \$36,000. **Mr. Tierney** emphasized the funding would increase with the point level.

REP. KARL WAITSCHIES, HD 36, PEERLESS, wondered what would warrant a \$1 million fine. **Commissioner Jergeson** identified explosions and situations which result in loss of life as warranting higher penalties. **Mr. Tierney** added if a utility

misses a required leakage survey, a resulting incident could result in higher penalties.

REP. WAITCHIES wondered if the penalty would be in addition to any damages awarded in a civil proceeding. **Mr. Tierney** stated that was correct and the penalty would have nothing to do with a civil case.

REP. WISEMAN requested that **Mr. Tierney** describe how natural gas pipelines corrode and deteriorate. **Mr. Tierney** explained a pipeline corrodes from lying in the soil. If the product protection is not maintained, it could cause a corrosion problem, resulting in a leak and an incident.

CHAIRMAN OLSON asked **Commissioner Jergeson** to provide the Committee with a copy of the Federal notification regarding pipeline safety. (A copy of that information was submitted to the Committee Secretary on March 7, 2005.)

[EXHIBIT \(feh46a04\)](#)

Closing by Sponsor:

SEN. GALLUS closed the hearing by stating SB 169 will have absolutely no impact on small well drillers and pipelines and small business owners.

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ADJOURNMENT

Adjournment: 4:20 P.M.

REP. ALAN OLSON, Chairman

CYNTHIA PETERSON, Secretary

AO/cp

Additional Exhibits:

EXHIBIT ([feh46aad0.PDF](#))